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TAGS: [EFIN](#) [PREL](#) [AF](#)
SUBJECT: CENTRAL BANK GOVERNOR SAYS ELECTIONS DELAY SPOOKING
INVESTORS, HOPES TO REMAIN IN POSITION

REF: Kabul 3095

Classified By: CDDEA Ambassador E. Anthony Wayne for reasons 1.4 (b)
and (d).

¶1. (C) Summary: Central Bank Governor Abdul Qadeer Fitrat reports the Central Bank faces investor wariness stemming from the uncertain Presidential election, but the Bank's primary focus remains macroeconomic stability and piloting new projects. Fitrat reported has not met with President Karzai in two months and is uncertain about his own future, especially given enemies he has made in Parliament. In a meeting October 13 with Ambassador Wayne, Fitrat singled out the Minister of Higher Education as a corrupt official whom a new president should replace. Fitrat highlighted his own efforts to combat corruption and said Karzai had supported him in his efforts to remove corrupt Pashtany Bank leadership. End summary.

FINANCIAL DEVELOPMENTS

¶2. (U) In an October 13 meeting with the Coordinating Director for Development and Economic Affairs, Fitrat touted the success of a pilot mobile salary payment program for 47 Afghan National Police (ANP) in Wardak province and hoped to expand the project to other provinces (ref). The Afghan Government is also considering expanding the program to the Ministry of Energy and Water for electronic bill payments and to the Ministry of Education for teachers' salaries. A new mobile banking regulation is currently in the comment period and Fitrat expects the Central Bank's Supreme Council to approve it in early November.

¶3. (C) Fitrat noted approximately \$600 million in capital left the country prior to the August election. While at least 30 percent of this amount has returned, Fitrat expressed concern that an unclear election will cause investors to keep their money out of Afghanistan's financial sector. On a brighter note, inflation stood at a record low of negative 12 percent (with core inflation at 3.2 percent). Food and fuel stockpiles and donations, combined with a record agricultural crop, have pushed down prices, Fitrat said.

¶4. (C) Fitrat pointed to his anti-corruption initiatives, including the launching of investigations and firing, demoting, or transferring those found responsible. The Central Bank Governor fought for a prison sentence for the Jalalabad treasurer, despite five calls a day from parliamentarians advocating for the official and the threats against him. Fitrat added that President Karzai told him to fire the head of Pashtany Bank for corruption and while he cannot do so, Fitrat has asked the Ministry of Finance to remove the bank's entire supervisory board, credit officer, and loan officer and also to install and utilize core banking software. According to Fitrat, the Finance Minister said in June that he would act in two weeks, but Zakhilwal still has not done so.

POSSIBLE ECONOMIC FALL OUT
FROM THE POLITICAL SITUATION

15. (C) Agreeing donors want to move ahead and want a validated Afghan Government as a partner, Fitrat also said any appearance of political turmoil over the elections results would repel investment. Such a development would undercut progress Fitrat and others have made to date in improving the financial climate.

16. (C) Discussing his situation two years through his five-year appointment, Fitrat said Afghan law mandates that the Central Bank governor and members of the Supreme Council cannot be fired without proof of incapacity, fraud or criminal activity and must be given a chance to appeal to the President. However, in Afghanistan, anything can happen, he said. Fitrat said some Parliamentarians had asked him to take illegal actions and he had not complied; these members may have complained to President Karzai. The two have not spoken in person in two months, and Fitrat said he hopes the President still has positive feelings toward him. Fitrat said he wants to stay in his position, but if the next president decides to replace him, he will depart peacefully.

BUT THINKING ABOUT WHAT MIGHT
HAPPEN UNDER A NEW GOVERNMENT

17. (C) In response to Ambassador Wayne's question about priorities for a new government, Fitrat said the mortgage industry will need a capital infusion. The Central Bank is moving forward with plans for a stock exchange, a credit information bureau, and a banking institute. He added that ineffective cabinet ministers should be removed and cited the Minister of Higher Education as an example. According to Fitrat, the Ministry demands bribes to recognize foreign university degrees, and he pointed to his own notetaker, whose bachelor's degree from Pakistan is not valid in Afghanistan, even though it was good enough for the IMF to hire her and for Williams College to accept her, from where she received a master's degree in Economics. He said Russian-educated mafias control universities and keep other faculty members out. He also criticized the Attorney General's office as corrupt and said the mid- and lower-level judiciary is corrupt. He agreed with Ambassador Wayne's suggestion that the next president pursue a clean government initiative.

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